



**TelePacific Communications
Payphone Per Call Compensation
2013 FCC Audit Report and Attestation**

June 28, 2013



Table of Contents

1.0	INTRODUCTION.....	3
2.0	EXECUTIVE SUMMARY	3
3.0	BACKGROUND	4
4.0	AUDIT APPROACH AND TEST PLAN	4
5.0	VALIDATION TEST RESULTS	5
5.1	ASSERTION #1 – CALL TRACKING SYSTEM	5
5.2	ASSERTION #2 – PAYPHONE DISPUTE RESPONSIBILITY	6
5.3	ASSERTION #3 – DATA MONITORING PROCEDURES	6
5.4	ASSERTION #4 – CHANGE MANAGEMENT PROTOCOLS	7
5.5	ASSERTION #5 – COMPENSABLE FILE CREATION	7
5.6	ASSERTION #6 – PAYPHONE CALL DATA REPORTS	8
5.7	ASSERTION #7 – PAYPHONE COMPENSATION DISPUTE PROCEDURES.....	9
5.8	ASSERTION #8 – PAYPHONE COMPENSATION ERROR CONTROL PROCESS.....	10
5.9	ASSERTION #9 – PAYPHONE COMPENSATION BUSINESS RULES	10
5.10	ASSERTION #10 – CFO SWORN STATEMENT OF PAYPHONE COMPENSATION ACCURACY	11
6.0	AUDIT CONCLUSIONS AND FINDINGS.....	11
6.1	CONTACT INFORMATION.....	11

1.0 Introduction

TelePacific Communications (“TelePacific”) engaged the services of the Engel Consulting Group (“Engel”) to conduct the annual system audit of its payphone compensation processes and procedures. As part of the audit, Engel was also asked to complete an attestation of TelePacific’s continued compliance with the Federal Communications Commission (FCC) requirements to establish a call tracking system to compensate Payphone Service Providers (PSPs) for originating toll-free and access-code calls. This examination is in accordance with the provisions set forth in Appendix C – Final Rules of FCC 03-235/CC Docket No. 96-128 dated October 3, 2003, which obligates Completing Carriers to undergo a system audit of their call tracking system by an independent third party auditor to verify on an annual basis that no material changes have occurred concerning the Completing Carrier’s compliance with the prior year’s System Audit Report and FCC audit criteria.

TelePacific Management has stated in its *TelePacific Management Assertions on Compliance with FCC Requirements for Payphone Compensation Processes* dated June 27, 2013 that TelePacific has not materially modified its payphone compensation processes and systems since the June 29, 2012 audit and that their processes remain compliant with the FCC criteria. Therefore, the primary goal of this examination is to ensure that the payphone compensation processes continue to operate as designed and that TelePacific remains in compliance with the criteria and audit requirements specified in §64.1310 and §64.1320 of FCC 03-235/CC Docket No. 96-128.

2.0 Executive Summary

To fulfill the audit requirements and criteria for a payphone per call compensation system specified in §64.1310 and §64.1320 of FCC 03-235/CC Docket No. 96-128, the Engel Consulting Group was engaged by TelePacific to audit the processes and procedures for payment of per call compensation (PCC) to Payphone Service Providers (PSPs) for toll-free and access-code calls where TelePacific is the Completing Carrier. TelePacific Management has asserted that no material changes have occurred in their call tracking system since the June 29, 2012 audit and that the payphone compensation processes remain in compliance with the aforementioned criteria.

While there have been no material changes to the payphone compensation process, TelePacific has asserted its compliance with the FCC Order in WC Docket 11-141 released on June 29, 2012, which clarified that a Completing Carrier’s obligation to pay per call compensation is not contingent on whether it receives payphone-specific coding digits with each individual call. To comply with the ruling, if the OLI (Originating Line Information) digits are not present in the call detail, TelePacific uses the originating telephone number or ANI (Automatic Number Identification) and performs a lookup in the Payphone Telephone Number reference table to determine whether the call is originating from a payphone. This process was examined by the Audit Team and determined to be consistent with the recent FCC order.

The audit plan mapped a specific validation test for each of the TelePacific assertions of compliance with the FCC requirements. The validation consisted of reviewing information provided by Subject Matter Experts (SMEs), examining process documentation and correspondence, reviewing controls at process hand-offs, tracing steps in the compensation process, and inspecting call detail records. To validate that the end-to-end call tracking process operates properly, the Audit Team traced a sample of payphone calls



through the system by independently processing call detail records, creating a compensable file, comparing the file with the records deemed compensable by TelePacific, and documenting the results.

Based upon the data and procedures examined and tested during the audit process, the Audit Team concludes that TelePacific has satisfied the requirements specified in the aforementioned FCC Orders. TelePacific's assertions of compliance with the FCC criteria specified in §64.1320 of the Final Rules are fairly stated and the Audit Team attests that the TelePacific call tracking system remains in compliance with the stated criteria as of June 28, 2013.

3.0 Background

The FCC, in its Order in Docket No. 96-128 dated October 3, 2003, in the matter of the *Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, adopted new rules placing liability for compensating PSPs on the Completing Carriers for calls originating from payphones and completing on their networks. To ensure that the PSPs are fairly compensated, the FCC also imposed new audit, certification, and reporting requirements requiring each Completing Carrier to establish its own call tracking system and to engage a third party to attest that the system accurately tracks calls to completion.

In order to comply with the FCC requirements, TelePacific has established its own call tracking system designed to identify and track completed payphone-originated 8YY calls for purposes of per call compensation. The Engel Consulting Group conducted the initial system audit and issued a letter of attestation stating that TelePacific's call tracking system was in compliance with the FCC criteria and Final Rules as of June 30, 2010. This report served as the baseline for the subsequent audits required by the FCC per Appendix C – Final Rules FCC 03-235/CC Docket No. 96-128, where the Completing Carrier is obligated to engage an independent third-party auditor to:

- 1) *Verify that no material changes have occurred concerning the Completing Carrier's compliance with the criteria of the prior year's System Audit Report; or*
- 2) *If a material change has occurred concerning the Completing Carrier's compliance with the prior year's System Audit Report, verify that the material changes do not affect compliance with the audit criteria*

The FCC requires that the 2013 audit and attestation of compliance must be completed no later than July 1, 2013.

4.0 Audit Approach and Test Plan

The objective of this audit was to validate through testing and other means deemed appropriate that the payphone call tracking system which TelePacific has put in place continues to comply with the audit requirements and criteria specified in §64.1310 and §64.1320 of FCC 03-235/CC Docket No. 96-128. Following the Standards for Attestation Engagements established by the American Institute of Certified Public Accountants (AICPA), the Engel Consulting Group utilized an approach which examined TelePacific's processes, procedures, and system documentation provided by the SMEs responsible for payphone compensation. In addition, the Audit Team validated a test of the end-to-end process which was conducted by tracing a sample of payphone call detail records (CDRs) from origination on the switch to the compensable calls sent to the Billing Systems Group (BSG) clearinghouse with whom TelePacific has contracted for payment and quarterly reporting to the PSPs.



5.0 Validation Test Results

5.1 Assertion #1 – Call Tracking System

TelePacific has procedures in place to accurately identify and track coinless access code or subscriber toll-free payphone calls to completion

The Audit Team examined the TelePacific call processing documentation which confirmed that the procedures for identifying and tracking access-code and toll-free calls dialed from a payphone remained the same. Completed calls continue to be identified by the Off Hook (call was answered) indicator of '0' on the Call Detail Records (CDRs). The calls originating from payphones are uniquely identified by Usage Type = 710 and Originating Line Information (OLI) = 27, 29, or 70. To identify payphone calls where an OLI is not present, TelePacific uses a table lookup process that includes all nationally registered and validated payphone telephone numbers and the originating ANI of the call.

In order to capture the OLI information for each 8YY call, TelePacific continues to utilize two Automatic Message Accounting (AMA) recordings where the base record is recorded as Call Code 068 and Structure Code 220 and includes the originating number, the dialed 8YY number, the destination number, etc. This record is then correlated to a unique record through a correlation parameter assignment recorded as Call Code 710 and Structure Code 625 which also includes the trunk group number and OLI digits. Both records have Off Hook (completion) indicators. If the OLI digits are not present in the call detail, a table lookup is used to determine if the originating ANI is on the Payphone Telephone Number reference table. If the ANI is positively matched, the call is identified as originating from a payphone.

Checks continue to be conducted in the mediation system for missing files and duplicate records by comparing the first 6-digit block number with the last block number in the file. The 3-digit sequence number increments from each download so that all blocks or records can be accounted for and any missing or overlapping blocks or files can be detected. A further series of validations ensures that the date and time fields are correctly populated and that the appropriate modules are appended to the record.

Examination of the documentation confirmed the processes for uniquely identifying and tracking completed payphone calls in addition to eliminating any duplicate records. The Audit Team inspected a sample of CDRs from completed payphone calls and observed Off Hook (completion) indicators of '0' and either the appropriate OLI values of 27 or 70 (no CDRs had an OLI value = 29) or the originating ANI was positively matched to a registered and validated telephone number found in the Payphone Telephone Number reference table. In addition, no duplicate records were found in the sample.

The specific validation tests for this assertion are documented below:

Validation Test	Test Results
<ol style="list-style-type: none"> Confirmed with the call processing SME the process for identifying and tracking completed payphone calls remains the same Examined the documentation to verify that the systems and processes for identifying and tracking calls originating from payphones are well documented Reviewed call collection and usage processing documentation to determine whether controls are in place for ensuring all payphone usage is processed and duplicate CDRs are identified. Inspected a sample of CDRs and observed off hook (completion) 	No deficiencies or exceptions noted

indicators of '0' and either OLI values equal to 27 or 70 or the ANI match indicator from the table lookup process	
--	--

5.2 Assertion #2 – Payphone Dispute Responsibility

TelePacific has assigned a specific person responsible for tracking, compensating, and resolving disputes concerning payphone completed calls.

Based on the contractual relationship between TelePacific and BSG, the primary responsibility for handling payphone disputes continues to reside with BSG. In addition, TelePacific has identified an internal resource responsible for payphone compensation who can be called upon to assist in the resolution of payphone disputes and inquiries. The Audit Team reviewed the job description for the internal resource where it states that he is responsible for managing and coordinating all payphone compensation activities with BSG and assisting BSG with any dispute resolution activities.

The specific validation tests are documented below:

Validation Test	Test Results
1. Inspected job description for TelePacific SME responsible for payphone compensation	No deficiencies or exceptions noted

5.3 Assertion #3 – Data Monitoring Procedures

TelePacific has effective data monitoring procedures in place.

The TelePacific SME advised that there have been no changes to TelePacific's processes for ensuring that all call detail records are captured from the switches. The Audit Team examined TelePacific's documentation which described a three-tiered monitoring process to ensure the integrity of the call collection and usage mediation processes. In order to ensure the safe creation, delivery, and capture of all of the call detail records from the switches, TelePacific continues to use industry standard monitoring methods to alert the technical personnel of any problems in the recording or polling processes. Depending on the specific event that has triggered the alarm, the switch technicians follow prescribed procedures to resolve the issue. The TelePacific data network continues to be monitored on a real-time basis to ensure that any problems are quickly identified and resolved so that none of the data is lost. The software technology within the mediation environment includes the ability to set the fault tolerance for each switch polling portal. These thresholds are multi-faceted and include time sensitive alarms, file sequence checks, and record sequence checks.

Annual audits are conducted on these monitoring efforts to ensure that all possible and actual failures are appropriately detected and alarmed and that the subsequent actions are correctly defined and actionable.

The specific validation tests are documented below:

Validation Test	Test Results
1. Inquired about any changes to TelePacific's data monitoring procedures	No deficiencies or exceptions noted
2. Examined documentation describing TelePacific's monitoring and alarm process to ensure data integrity	

5.4 Assertion #4 – Change Management Protocols

TelePacific adheres to established protocols to ensure that any software, personnel, or any other network changes do not adversely affect its payphone call tracking ability

The TelePacific SME advised that the Standard Development Life Cycle (SDLC) process remains in place to ensure tight control of changes made to critical systems. The process continues to ensure that business requirements, system functionality, user interfaces, and required results are identified, documented, designed, developed, tested, and implemented in accordance with the SDLC.

There are two methods to initiate a change to a critical system: 1) through a Help Desk ticket or 2) issuance of an Information Technology Service Request (ITSR). Depending on the findings from the Help Desk ticket or the assessment of the ITSR, a change request can be created. The Audit Team examined the *Remedy®-based Change Control Request (CCR) Guide* which outlines the process to be followed to create a change control request required to implement changes. Changes to production systems require the approval of the Change Control Board (CCB) which meets on a weekly basis to review change requests submitted for approval.

A third party audit is performed annually where all of the Change Control Requests (CCRs) are reviewed and traced back to the source documentation and ITSR or Help Desk ticket. All of the documentation is reviewed with special attention given to the Senior Vice President approval authorizing the change and the documented validation of the change results.

A sample of an ITSR initiated to facilitate the table lookup process within the usage mediation system was examined. The Audit Team was able to trace the flow of the change request through the process from initiation of the ITSR through testing and finally to completion for production release of the change. In addition, a screen shot of the completed CCR from the Remedy® system was provided which included the details about the change, the completion status, and the date and time when the change was implemented in the production environment.

For any changes to the FGD network such as switch upgrades or patches, TelePacific continues to follow the detailed roadmap provided by the switch vendor on what needs to take place for implementation. Since these are live switches and active calls, any outage is unacceptable.

The specific validation tests are documented below:

Validation Test	Test Results
1. Examined SDLC and change control documentation	No deficiencies or exceptions noted
2. Traced a sample ITSR and change request through the process	
3. Inquired about the change control process for network changes	

5.5 Assertion #5 – Compensable File Creation

TelePacific has created compensable payphone call files by matching call detail records against payphone identifiers

The Audit Team conducted an end-to-end test which traced the details on a sample of CDRs originating at the switches through the call tracking process to the records on the compensable file sent to BSG for the month of March 2013. Using the TelePacific business rules to determine compensable payphone calls, the

Audit Team created a compensable call file and compared that with the file sent to BSG for payment to the PSPs. All compensable CDRs had offhook (completion) indicators of '0' and either OLI values of 27 and 70 (OLI values of 29 were not observed) or the originating ANI was positively matched to a registered and validated telephone number found in the Payphone Telephone Number reference table.

The specific validation tests are documented below:

Validation Test	Test Results
<ol style="list-style-type: none"> 1. Traced sample of CDRs received from the switches through the process concluding with the compensable records sent to BSG 2. Observed OLI values equal to 27 and 70 on the CDRs or the ANI match indicator from the table lookup process on the compensable records sent to BSG 3. Validated the test of a sample of payphone CDRs using business rules defined in Assertion #9 to compare results with the compensable records sent to BSG 	No deficiencies or exceptions noted

5.6 Assertion #6 – Payphone Call Data Reports

TelePacific has implemented procedures to incorporate call data into required reports

The Audit Team examined the document, “*BSG-TelePacific PSP Payout Collaborative Activities*,” which describes the data flow of the compensable call files and communications between TelePacific and BSG. TelePacific continues to create the compensable call files and sends them to BSG to handle the PSP quarterly compensation and reporting. The Audit Team traced the process from the capture of compensable call data through to the control reports provided by BSG. After the call data has been received, BSG produces a series of reports for TelePacific to review that quantify the specifics on the payouts. The Audit Team examined samples of these reports including the report for 4Q2012 reporting period from BSG confirming that the files received for each month of that quarter had been processed. The record counts are then confirmed by TelePacific to ensure that all records had been processed through the BSG systems.

If a situation occurs where there is a question as to the validity of the PSP claim when compared to the LEC data received, BSG will send a report to TelePacific listing the number of validated calls for each PSP and the number of calls requiring further investigation. TelePacific will then analyze the calls in the latter category and make the determination as to their validity and responds back to BSG.

BSG also provides a High Volume Call report, when applicable, which lists any payphone numbers exceeding the usage criteria based on a certain threshold for calls to a unique 8YY within a single month. These calls are excluded from the quarterly payout and TelePacific must respond to BSG if the calls are to be paid. A high volume report and TelePacific’s response was provided for the 4Q2012 reporting period for inspection by the Audit Team.

The Audit Team was provided for examination a report of the 4Q2012 compensation details broken down by month for each PSP or PSP association. This report shows the number of calls and the compensation for each PSP and provides the total compensation for the reporting period. The Audit Team also examined the *Dial Around Compensation Service Summary Report* for the 4Q2012 reporting period which shows the total dollars owed by TelePacific to the PSPs for each claim quarter and to BSG for the services they have provided.

Since the actual PSP quarterly payment and reporting is performed under contract by BSG, the Audit Team also examined the results from the Dial Around Compensation Service Organization Controls (DAC SOC) report, *Dial Around Compensation: Report on Controls Placed in Operation and Tests of Operating Effectiveness* for the period April 1, 2012 – March 31, 2013 conducted by an independent auditor on the BSG control procedures to ensure that the controls for processing the TelePacific data were reasonable and adequate for payphone compensation and reporting. The auditor stated that the controls are suitably designed to provide reasonable assurance that the specified control objectives would be achieved and no deficiencies or exceptions were noted.

The specific validation tests are documented below:

Validation Test	Test Results
<ol style="list-style-type: none"> 1. Traced the process from call capture through to BSG reporting to ensure controls were in place 2. Examined the control reports from BSG to verify the accuracy of the data 3. Examined the current DAC SOC report on the BSG control procedures to verify the adequacy of the controls for processing the payphone data received from TelePacific 	No deficiencies or exceptions noted

5.7 Assertion #7 – Payphone Compensation Dispute Procedures

TelePacific has implemented critical controls and procedures necessary to resolve payphone compensation disputes

As part of the contractual arrangement between TelePacific and BSG, BSG serves as the principal point of contact in matters of dispute resolution with respect to PSP payments and related issues. In addition, TelePacific has an internal resource responsible for managing the payphone compensation activities who will assist BSG in investigating and resolving any payphone disputes or inquiries.

The TelePacific SME provided the instructions a PSP follows for filing a dispute or inquiry regarding ANI validation. The BSG *Dial Around Compensation ANI Status Report* provides a status of the valid ANIs for which compensation was requested by the respective PSP. There are eight categories of ANI status such as Validated ANI (no further action required), ANI Validated to another PSP, Billing Name and Address different from information reported by the LEC, Multiple LECs reported the ANI, etc. For each status requiring further action on the part of the PSP, BSG outlines the information that needs to be provided and the acceptable forms of documentation along with contact information.

As a Telecommunications provider, TelePacific is required to retain copies of call detail records for a period of six years which meets the FCC requirement of at least 27 months.

The specific validation tests are documented below:

Validation Test	Test Results
<ol style="list-style-type: none"> 1. Received confirmation from TelePacific that payphone CDRs are retained for at least 27 months 2. Confirmed the process for handling disputes with TelePacific SME responsible for payphone compensation 3. Examined the procedures for accessing the ANI Status Report 	No deficiencies or exceptions noted



5.8 Assertion #8 – Payphone Compensation Error Control Process

TelePacific has implemented critical controls and procedures to ensure payphone compensation errors are insubstantial

The Audit team examined the documentation which describes the TelePacific procedures to identify payphone-originated 8YY calls and determine whether the calls are subject to compensation. The process to capture the call data for compensation purposes is well-documented and includes provisions to validate the appropriate population of the required data fields. Procedures are in place to exclude incomplete calls from the compensable call file as well as to accurately populate the call record data. In the event a PSP questions the volume of calls for which compensation was made, follow-up investigations by both BSG and TelePacific continue to ensue to resolve the inquiry and ensure no data was lost in the data capture and compensation processes.

The specific validation tests are documented below:

Validation Test	Test Results
<ol style="list-style-type: none"> 1. Examined process documentation to validate the controls for identifying payphone-originated 8YY calls eligible for compensation 2. Confirmed the process with the TelePacific SME responsible for investigating compensation disputes 	No deficiencies or exceptions noted

5.9 Assertion #9 – Payphone Compensation Business Rules

TelePacific has adequate and effective business rules in place for implementing and paying payphone compensation, including rules to: 1) identify calls originated from payphones, 2) identify compensable payphone calls, and 3) identify incomplete or otherwise non-compensable calls

As part of the end-to-end test of the TelePacific call tracking system, the Audit Team traced the details from a sample of payphone CDRs from origination at the switch to their appearance as compensable records sent to BSG to validate the compensable call business rules. All compensable CDRs contained the originating ANI and either OLI values of 27 or 70 (no records contained the OLI value of 29) or the ANI match indicator from the table lookup process and there were no duplicate records. In addition, all CDRs were either toll-free or access-code dialed calls and all contained an off hook indicator of '0' which signified completed calls. The call processing documentation and data capture process were examined and determined to be consistent with the results of the CDR observations from the compensable records.

The specific validation tests are documented below:

Validation Test	Test Results
<ol style="list-style-type: none"> 1. Traced sample of CDRs received from the switches through the process and compared results with the compensable records sent to BSG 2. Inspected sample CDRs to determine if only completed calls with the appropriate OLI values or the ANI match indicator from the table lookup process were in the compensable records sent to BSG and that the originating ANI was included 	No deficiencies or exceptions noted



- | | |
|--|--|
| 3. Examined call processing and data capture documentation to validate consistency in the business rules | |
|--|--|

5.10 Assertion #10 – CFO Sworn Statement of Payphone Compensation Accuracy

TelePacific has procedures in place to post the Chief Financial Officer's sworn statement of payphone compensation accuracy based on 100% of all completed calls

The Audit Team examined the CFO certification letters for the 1Q2012, 2Q2012, 3Q2012, and 4Q2012 reporting periods which declare the accuracy of the payphone compensation payments for the respective period. These letters are posted on the BSG website for access by the PSPs and PSP associations.

The specific validation tests are documented below:

Validation Test	Test Results
1. Examined the quarterly CFO certification statements to validate completion	No deficiencies or exceptions noted
2. Confirmed that the sworn statement appears on the BSG website	

6.0 Audit Conclusions and Findings

Based on the results of the examination of the TelePacific payphone compensation processes and procedures and the end-to-end validation of the overall call tracking system, the Audit Team concludes that TelePacific and the payphone call tracking system remain in compliance with the FCC audit requirements and criteria specified in §64.1310 and §64.1320 of the Final Rules of FCC 03-235/CC Docket No. 96-128. The Audit Team further attests that TelePacific's assertions of compliance with the aforementioned requirements and criteria are fairly stated in all material respects as of June 28, 2013.

6.1 Contact Information

Please direct any questions regarding this audit to:

William R. Kearney
 Director – InterCarrier Compensation
 415.492.3380
bkearney@telepacific.com

